

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

In the Matter of:)	
)	
Application of Duke Energy Progress, LLC)	Docket No. 2018-318-E
for Adjustments in Electric Rate Schedules)	
<u>and Tariffs</u>)	

SURREBUTTAL TESTIMONY OF

JOHN HOWAT

ON BEHALF OF

SOUTH CAROLINA STATE CONFERENCE OF THE NATIONAL ASSOCIATION FOR

THE ADVANCEMENT OF COLORED PEOPLE,

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, AND

UPSTATE FOREVER

March 25, 2019

1 **I. Introduction**

2 **Q. PLEASE STATE YOUR NAME, JOB TITLE, EMPLOYER AND**
3 **BUSINESS ADDRESS.**

4 A. My name is John Howat. I am a Senior Policy Analyst at the National Consumer
5 Law Center (“NCLC”), 7 Winthrop Square, Boston, Massachusetts 02110. The
6 National Consumer Law Center is a non-profit law and policy advocacy
7 organization using expertise in consumer law and energy policy to advance
8 consumer justice, racial justice, and economic security for low-income families
9 and individuals in the United States.

10 **Q. DID YOU PREVIOUSLY FILE TESTIMONY IN THIS PROCEEDING?**

11 A. Yes. On March 4, 2019 I submitted direct testimony in this proceeding on behalf
12 of the South Carolina State Conference of the National Association for the
13 Advancement of Colored People (SC NAACP), South Carolina Coastal
14 Conservation League (“CCL”), and Upstate Forever.

15 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

16 A. The purpose of my surrebuttal testimony is to respond to rebuttal testimony of
17 Duke Energy Progress (“Company” or “DEP”) witnesses Steven B. Wheeler and
18 Lesley Quick.

19 **II. Surrebuttal Testimony**

20 **Q. PLEASE RESOND TO MR. WHEELER’S CLAIM THAT THE**
21 **PROPOSED DEP BASIC FACILITIES CHARGE WOULD NOT**
22 **DISPROPORTIONATELY HARM LOW-VOLUME, LOW-INCOME**
23 **RESIDENTIAL CUSTOMERS.**

1 A. The support for Mr. Wheeler's position is based solely on a chart entitled "# of
2 DEP Low Income Bills by Usage Level (Household Income < \$30,000)."¹ But
3 Mr. Wheeler provided no citation for the data source used to produce this chart.
4 Based on the Rebuttal Testimony alone, there is no way to verify or critique the
5 validity, accuracy, or reliability of the information and the extent to which it
6 applies to DEP's South Carolina service territory.

7 **Q. PLEASE FURTHER DESCRIBE THE CHART ON P. 7 OF MR.**
8 **WHEELER'S REBUTTAL TESTIMONY.**

9 A. The horizontal axis of the chart depicts a usage range in increments of 100 kWh,
10 and the vertical axis the number of bills to "low-income" customers, defined as
11 those with a household income of \$30,000 or less.

12 **Q. DID YOU REQUEST THAT DEP PROVIDE THE SOURCE OF THE**
13 **DATA USED TO CREATE THE CHART THAT YOU REFERENCED?**

14 A. Yes. NAACP, CCL, and Upstate Forever requested information regarding the
15 chart.

16 **Q. PLEASE DESCRIBE DEP'S RESPONSE.**

17 A. DEP responded that the chart in question was developed using a "proprietary
18 database" to determine household income level. The Company provided only
19 limited information in its response regarding the underlying methodology used to
20 derive customer income data.

21 **Q. DID THE COMPANY PROVIDE INFORMATION REGARDING**
22 **AVERAGE ELECTRICITY USAGE BY HOUSEHOLD INCOME**
23 **LEVEL?**

¹ Rebuttal Testimony of Michael J. Wheeler (*hereinafter*, "Wheeler Rebuttal"), p. 7.

1 A. Yes. In response to SC NAACP et al DR 3-1b (attached in Exhibit JH-9), the
2 Company provided the table below:

Jurisdiction	Income Group	Number of Accounts	Avg_Kwhs - Mean
DEP(SC)	NULL	7,280	335
	<\$15,000	27,471	976
	\$15,000 - \$19,999	11,352	992
	\$20,000 - \$29,999	21,358	1,018
	\$30,000 - \$39,999	18,377	1,078
	\$40,000 - \$49,999	12,906	1,088
	\$50,000 - \$59,999	6,940	1,108
	\$60,000 - \$69,999	9,326	1,164
	\$70,000 - \$79,999	5,930	1,193
	\$90,000 - \$99,999	2,774	1,215
	\$80,000 - \$89,999	3,474	1,226
	\$100,000 - \$124,999	4,506	1,273
	\$125,000 - \$149,999	1,347	1,352
	>\$149,999	5,509	1,408

3
4 This table is consistent with the data presented in my Direct Testimony
5 demonstrating lower-income customers on average use lower amounts of
6 electricity than higher-income customers. For example, the Company's table
7 demonstrates that, on average, households with income of less than \$15,000 use
8 42% less electricity than customers with income over \$149,999.

9 **Q. WHAT IS YOUR CONCLUSION REGARDING DEP'S RESPONSE AS**
10 **DESCRIBED ABOVE?**

11 A. No independent evaluation or analysis can be conducted to verify the validity or
12 reliability of the income data reflected in the chart. In addition, the Company
13 apparently has no way to know the incomes of those 7,280 customers in the
14 "Null" row at the top of the chart. Most importantly, neither chart on p. 7 of Mr.
15 Wheeler's Rebuttal Testimony nor the Company's response to our data request

1 does anything to weaken the data-driven conclusions regarding the relationship
2 between usage and income as detailed in my Direct Testimony.

3 **Q. DOES HOUSEHOLD INCOME OF \$30,000 OR LESS PROVIDE AN**
4 **APPROPRIATE INDICATOR OF WHAT CONSTITUTES A “LOW-**
5 **INCOME” HOUSEHOLD?**

6 A. No. The South Carolina Low Income Home Energy Assistance Program
7 (“LIHEAP”) income eligibility guidelines are capped at 150% of the federal
8 poverty guideline. The guideline is based on *both* household size and gross
9 household income. Relying solely on a household income level, without
10 accounting for household size, is not an appropriate means of providing a count
11 of such households, particularly if the income ceiling is as high as \$30,000.
12 Relying solely on a \$30,000 income ceiling will result in a household count that
13 includes households that are not low-income, according to the South Carolina
14 LIHEAP income eligibility ceiling. The table below provides South Carolina
15 LIHEAP income eligibility guidelines from 2017.

**2017 POVERTY GUIDELINES FOR THE 48
CONTIGUOUS STATES AND THE DISTRICT OF
COLUMBIA**

PERSONS IN FAMILY/HOUSEHOLD	POVERTY GUIDELINE	150% OF THE POVERTY GUIDELINE
1	\$11,880	\$17,820
2	\$16,020	\$24,030
3	\$20,160	\$30,240
4	\$24,300	\$36,450
5	\$28,440	\$42,660
6	\$32,580	\$48,870
7	\$36,730	\$55,095
8	\$40,890	\$61,335

*Source: U.S. Department of Health & Human Services, LIHEAP
Clearinghouse*

<https://liheapch.acf.hhs.gov/news/july16/FPG.htm>

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The table above clearly shows that a single-person household or a 2-person household with income of \$30,000 would not be considered to have a low-income under LIHEAP income screening criteria. The table below, which provides the most recent Census Bureau data on median income by household size in South Carolina, demonstrates that there are, in fact, households in the state with income below \$30,000 that would be income ineligible to participate in LIHEAP. The table shows that the median income, single-person household would fall into the category of LIHEAP ineligibility but income of less than \$30,000.

**MEDIAN HOUSEHOLD INCOME IN THE PAST 12 MONTHS (IN
2017 INFLATION-ADJUSTED DOLLARS) BY HOUSEHOLD SIZE**

	South Carolina	
	Estimate	Margin of Error
Total:	\$48,781	+/-288
1-person households	\$25,748	+/-279
2-person households	\$56,902	+/-447
3-person households	\$61,840	+/-729
4-person households	\$72,293	+/-937
5-person households	\$66,088	+/-1,552
6-person households	\$64,229	+/-2,231
7-or-more-person households	\$64,340	+/-2,108

Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates

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Thus, relying solely on a \$30,000 income cap is not an appropriate means of developing a low-income household count, and results in a pool of households that includes some who would not be eligible to participate in the South Carolina LIHEAP or who would generally not be considered “low-income.”

Q. WAS THE COMPANY PREVIOUSLY ASKED TO PROVIDE DATA REGARDING ENERGY USAGE OF ITS LOW-INCOME CUSTOMERS?

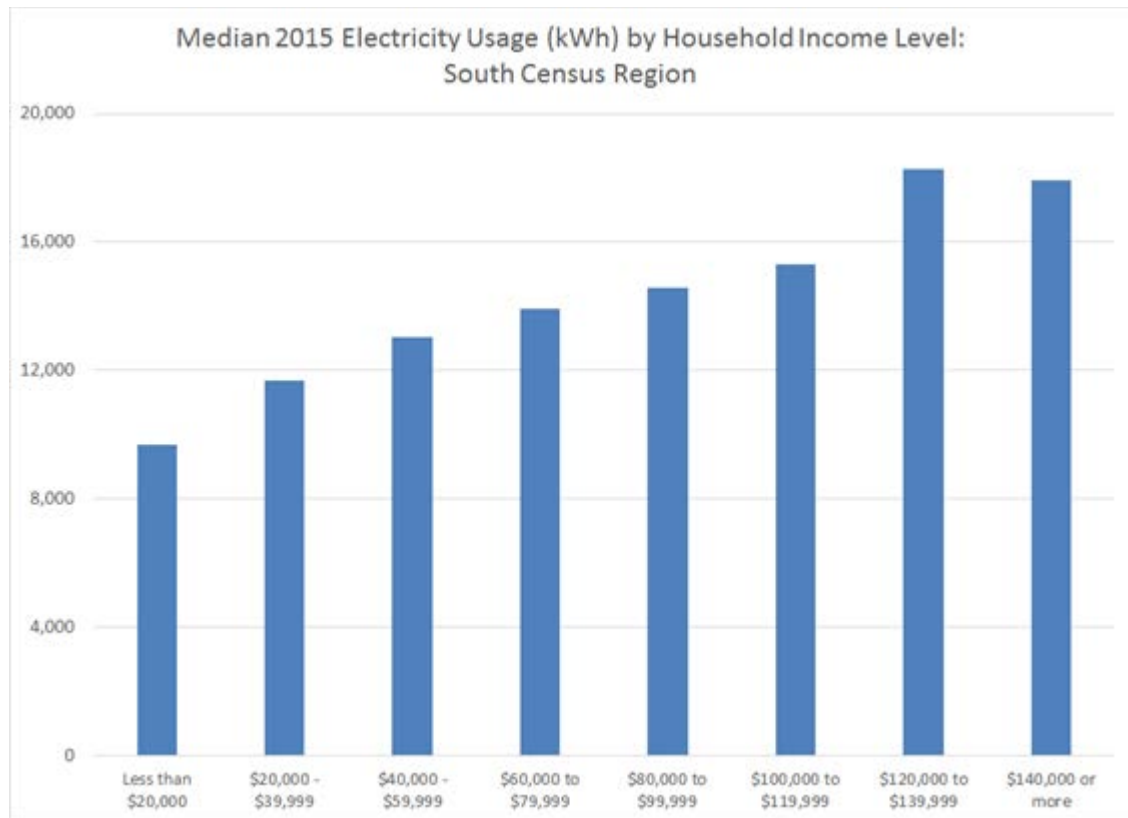
A. Yes. As I indicated in my direct testimony, in response to a data request that included requests for kilowatt hour sales information from the Company’s low-income customers, DEP responded that “it does not currently track this information for low income customers.” *See* Exhibit JH-2. The inclusion of a chart purporting to show usage information of its “low-income” customers in Mr. Wheeler’s rebuttal testimony was a surprise given the Company’s previous responses to this request and other data requests regarding bad debt and arrearages by socio-economic status, which stated unequivocally that DEP “does

1 *not obtain or maintain customer data based on zip code or socio-economic*
2 *status.” Exhibit JH-9 (DEP Response to VS DR 1-57 and 1-58). The chart on p.*
3 *7 of Mr. Wheeler’s testimony purports to show customer data based on socio-*
4 *economic status, in direct contradiction to its responses to previous data requests.*

5 **Q. DOES THE CHART ON P. 7 OF MR. WHEELER’S REBUTTAL**
6 **TESTIMONY, OR ANY OTHER PART OF HIS REBUTTAL TESTIMONY,**
7 **CAUSE YOU TO MODIFY YOUR POSITION REGARDING**
8 **DISPROPORTIONATE HARMS TO LOW-VOLUME, LOW-INCOME**
9 **RESIDENTIAL CUSTOMERS FROM DEP’S PROPOSED BASIC FACILITIES**
10 **CHARGE?**

11 A. No. In my view Mr. Wheeler has provided no evidence that demonstrates that
12 low-income residential customers in the DEP service territory on average use
13 more electricity than their higher-income counterparts, or that the proposed BFC
14 will not shift cost recovery burden from high-volume customers to low-volume
15 customers.

16 As I indicated in my Direct testimony, data from the South Census Region of
17 the Residential Energy Consumption Survey—the region that includes South
18 Carolina—demonstrates that lower-income households’ median electricity usage
19 increases in each of the RECS annual household income brackets until the
20 highest bracket of \$140,000 is reached.



Source: *U.S. Energy Information Administration, Residential Energy Consumption Survey*

Nothing in the chart on p. 7 of Mr. Wheeler's Rebuttal Testimony suggests that usage rates of residential customers in DEP's South Carolina service territory vary from this pattern. Further, this relationship between median household usage and income is consistent in each of the Census regions, and Mr. Wheeler has not provided evidence that the relationship is different in the DEP service territory. It is beyond debate that increasing the BFC shifts costs from high-volume to low-volume electricity consumers. Thus, I maintain my position that the proposed increase in the BFC, if approved, would disproportionately be borne by and harm DEP's lower-income residential customers, those who can least afford a steep percentage increase in their monthly bills. As indicated in my Direct Testimony,

1 this harm would particularly fall on elder- and African-American-headed
2 households.

3 **Q. TURNING TO DEP REBUTTAL TESTIMONY OF LESLEY QUICK,**
4 **WHAT IS YOUR RESPONSE TO THE COMPANY’S CONCERNS**
5 **ABOUT COLLECTING ADDITIONAL DATA RELATING TO**
6 **RESIDENTIAL CUSTOMER PAYMENT DIFFICULTIES?**

7 A. Ms. Quick’s concerns are misplaced. First, it is difficult to fathom how the
8 Company cannot identify those customers that receive LIHEAP electric service
9 benefits. The Company receives LIHEAP payments on behalf of specific
10 customers and credits those customers' accounts accordingly. Again, in Iowa,
11 utilities have long reported the number of customers receiving benefits through
12 LIHEAP. Ms. Quick also asserts that the “Company cannot readily distinguish
13 customers by income or any socio-economic indicators in the normal course of its
14 business.” Quick Rebuttal, p. 10. But as discussed above in relation to Mr.
15 Wheeler’s chart on p. 7 of his rebuttal testimony, the Company apparently does
16 have access to a “proprietary database” that can run queries of residential
17 consumers by income level. This data would help reveal additional indicators of
18 customer payment difficulties, by matching that data with customer
19 disconnections for nonpayment and arrearages by vintage and amount. Rates of
20 disconnections for nonpayment and arrearages could then be calculated so long as
21 the Company also provided monthly data on the total number of residential
22 accounts.

23 Collecting such data is not at all dependent on instituting a percentage of
24 income payment program (“PIPP”). Numerous states that do not require utilities

1 to implement a PIPP—including Iowa, as discussed in my Direct Testimony—
2 require reporting of credit and collections data in greater detail than that provided
3 in the Docket No. 2006-193-EG reports.

4 Moreover, there should be no customer privacy concerns from reporting
5 aggregate data by zip code. Locational data is important for making decisions
6 about where to make investments in cost-saving energy-efficiency. For example,
7 the Company's only income-qualified energy-efficiency program—the
8 Neighborhood Energy Saver—is targeted at neighborhoods. Collecting and
9 reporting the requested data by zip code would provide crucial information about
10 areas of the state that could most benefit by deploying the Neighborhood Energy
11 Saver or additional low-income programs that may be developed in the future.

12 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

13 A. Yes.

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NO. 2018-318-E

CERTIFICATE OF SERVICE

I certify that the following persons have been served with one (1) copy of Surrebuttal Testimony of John Howat by electronic mail and/or U.S. First Class Mail at the addresses set forth below:

Heather Shirley Smith
Duke Energy Progress, LLC
40 W. Broad Street, Suite 690
Greenville, SC 29601
Heather.smith@duke-energy.com

John Burnett
Duke Energy Business Services, LLC
550 South Tryon Street
Charlotte, NC 28202
John.burnett@duke-energy.com

Alexander W. Knowles
Andrew M. Bateman
Steven W. Hamm
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201
aknowles@ors.sc.gov
abateman@ors.sc.gov
shamm@ors.sc.gov

Becky Dover
Carri Grube-Lybarker
SC Department of Consumer Affairs
bdover@scconsumer.gov
clybarker@scconsumer.gov

Frank R. Ellerbe, III
Robinson, McFadden & Moore, P.C.
PO Box 944
Columbia, SC 29202
fellerbe@robinsongray.com

Molly McIntosh Jagannathan
Troutman Sanders LLP
301 South College Street, Suite 3400
Charlotte, NC 28202
Molly.jagannathan@troutman.com

Richard L. Whitt
Austin & Rogers, P.A.
508 Hampton Street, Suite 300
Columbia, SC 29201
rlwhitt@austinrogerspa.com

Bess J. DuRant
Sowell & DuRant, LLC
1325 Park Street, Suite 100
Columbia, SC 29201
bdurant@sowelldurant.com

Carrie M. Harris
Stephanie U. Eaton
Spilman Thomas & Battle, PLLC
110 Oakwood Drive, Suite 500
Winston-Salem, NC
charris@spilmanlaw.com
sroberts@spilmanlaw.com

Robert R. Smith, II
Moore & Van Allen, PLLC
100 North Tryon Street, Suite 4700
robsmith@mvalaw.com

Derrick P. Williamson
Spilman Thomas & Battle, PLLC
1100 Bent Creek Blvd., Suite 101
Mechanicsburg, PA 17050
dwilliamson@spilmanlaw.com

Scott Elliott
Elliott & Elliott, P.A.
1508 Lady Street
Columbia, SC 29201
selliott@elliottlaw.us

Robert Guild
314 Pall Mall
Columbia, SC 29201
bguild@mindspring.com

Garrett A. Stone
Michael K. Lavanga
Stone Mattheis Zenopoulos &
Brew, PC
1025 Thomas Jefferson St., NW
8th Floor West Tower
Washington, DC 20007
gas@smxblaw.com
mkl@smxblaw.com

Thadeus B. Culley
Vote Solar
1911 Ephesus Church Road
Chapel Hill, NC 27517
thad@votesolar.org

Branson F. Marzo
Troutman Sanders LLP
600 Peachtree St NE, Suite 3000
Atlanta, GA 30308
brandon.marzo@troutman.com

Camal O. Robinson
Duke Energy Progress, LLC
550 South Tryon Street
Charlotte, NC 28202
camal.robinson@duke-energy.com

Len S. Anthony
The Law Office of Len S. Anthony
812 Schloss Street
Wrightsville Beach, NC 28480
len.anthony1@gmail.com

This the 25th day of March, 2019.

s/ David L. Neal